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ICIS 1996 Proceedings

International Conference on Information Systems
(ICIS)

December 1996

Panel 8 The IT-Based Virtual Organization

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Recommended Citation

Stoddard, Donna; Lucas, Henry; Markus, M. Lynne; and Pape, Will, "Panel 8 The IT-Based Virtual Organization" (1996). *ICIS 1996 Proceedings*. 66.
<http://aisel.aisnet.org/icis1996/66>

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PANEL 8

THE IT-BASED VIRTUAL ORGANIZATION

Panel Chair: **Donna Stoddard**, Babson College

Panelists: **Hank Lucas**, New York University
M. Lynne Markus, Claremont Graduate School
Will Pape, Specialist Assistant to the Chairman and Board of Directors, Verifone, Inc.

A virtual organization uses IT to function like a traditional one.

A number of articles in the popular press have espoused the virtue of the “virtual office” or “virtual corporation.” According to Apgar (1993), “the changing nature of work is challenging deeply held beliefs about the *workplace* (where facilities are located) and the *workspace* (individual areas that people occupy).” Proponents for the virtual office or virtual corporation suggest that organizations can realize significant savings while increasing the output or productivity of the firm. Others have pointed out that the managerial and personal implications of the virtual organization may require us to rethink what we mean by an organization (Lucas and Baroudi 1994; Handy 1995).

The objective of this panel is to discuss what it means to be a virtual organization from an organization design theory point of view and suggest further avenues of research related to the virtual organization concept. This will be accomplished through presentation and discussion. The panel format will be as follows.

Hank Lucas will kick off the panel by reviewing the literature that has influenced our thinking regarding information technology, organization design and the virtual organization. Following the literature overview, Lucas will highlight conventional design variables and information technology design variables (Lucas and Baroudi 1994) and suggest how we would expect these variables to enable or inhibit the virtual organization. Will Pape will then describe how Verifone’s experience supports or extends existing theory.

Verifone has long been referred to and refers to itself as a “Virtual Corporation.” Pape defines a virtual organization as one whose people are geographically dispersed but, enabled by IT, operate as if they are in the same location. In 1995, Verifone certainly fit Pape’s definition of a virtual organization: less than 7% of its staff were located within 250 miles of corporate headquarters. Rather, Verifone employees and senior managers were scattered around the world. The company’s CEO, Hatim Tyabji, refers to the corporate model as a decentralized network of locations, “like a blueberry pancake where all the berries are the same size; all locations are created equal.”

Pape, former CIO, will present Verifone’s “virtual success formula.” Verifone senior management believes that Success = T+O+M+E, *T*echnology, *O*rganization structure, *M*indset (or culture), and *E*nvironment. According to Pape, “A virtual corporation is not email itself, or communications tools alone. The technology is necessary but not sufficient. Management must focus on all components of the formula to be a successful virtual company.” Pape will describe how technology, mindset, and environmental focus enable Verifone’s virtual organization.

Lynne Markus will then challenge Pape and Lucas to address several questions related to virtual organizations. For example, what constitutes virtuality, what characteristics does an organization need to exhibit to be considered virtual and does the role of IT differ in a traditional organization versus a virtual organization?

We will conclude the panel by asking panelists and the audience to propose potential research questions related to IT and virtual organizations.

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